

**Government of the District of Columbia  
Office of the Chief Financial Officer**

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CHAIRMAN CROPP

**Natwar M. Gandhi**  
Chief Financial Officer



**MEMORANDUM**

**TO:** The Honorable Linda W. Cropp  
Chairman, Council of the District of Columbia

**FROM:** Natwar Gandhi   
Chief Financial Officer

**DATE:** MAR 14 2005

**SUBJECT:** Fiscal Impact Statement: "Tobacco Settlement Model Amendment Act of 2005"

**REFERENCE:** Draft Legislation to be Introduced – No Bill Number Available

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**Conclusion**

Funds are sufficient in FY 2005 through FY 2008 financial plans to implement the proposed legislation because no additional staff or resources will be required.

**Background**

The proposed legislation closes a loophole in the Tobacco Settlement Model Act of 2000.<sup>1</sup> The Model Act is one of the "Model Statutes" that were enacted in 1999 and 2000 by the District and other jurisdictions that had joined the multi-state tobacco Master Settlement Agreement (MSA). The Model Act imposes an annual escrow obligation on tobacco manufacturers that are not party to the MSA. This obligation is determined by the number of cigarettes sold by a manufacturer within the District during the preceding calendar year.

The proposed legislation is designed to prevent a manufacturer from implementing sales strategies aimed at minimization of its escrow obligation. Under the proposed amendments, a

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<sup>1</sup> D.C. Official Code Title 7 § 1801.01 *et sequitor* established by the Fiscal Year 2001 Budget Support Emergency Act of 2000 (D.C. Act 13-376, July 24, 2000, 47 DCR 6574).

manufacturer could obtain the release of its escrowed funds only to the extent that the escrowed amount exceeded what the manufacturer would have owed had it been a party to the MSA. A manufacturer would no longer be entitled to a release of escrowed funds simply because the amount escrowed exceeded 0.6 percent (the District's share, based on population, of the aggregate MSA settlement amount) of what it would have owed under MSA.

### **Financial Impact**

Funds are sufficient in the FY2005 through FY2008 budget and financial plan. The proposed legislation will have no negative effect on D.C. revenue.